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May 13, 2010

The Honorable Julius Genachowski
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

The Honorable Michael J. Copps
Commissioner
445 12th Street, SW
Washington, DC 20554

The Honorable Robert M. McDowell
Commissioner
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

The Honorable Mignon Clyburn
Commissioner
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

The Honorable Meredith Atwell Baker
Commissioner
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: Application of Verizon Communications Inc. and Frontier Communications Corporation for Consent to Transfer Control of Domestic Section 214 Authority, WC Docket No. 09-95

Dear Chairman and Commissioners:

I am writing on behalf of the Communications Workers of America, AFL-CIO (CWA) and in response to the May 10, 2010 correspondence from Ms. Kathleen Q. Abernathy of Frontier Communications Corporation. In that correspondence Ms. Abernathy set out a list of further commitments by Frontier for the above-detailed matter. Even a quick review of the proposed further commitments finds that they are wanting in many regards.

This is particularly true with regard to the proposed further commitments for broadband deployment and reporting. Frontier is now proposing that it offer to 85% of households by the end of 2015 broadband service capable of delivering at least 4 mbps. While a slight improvement over the commitments that Frontier made to a number of states, the new commitment remains inconsistent with the Commission's National Broadband Plan.

As you know the National Broadband Plan sets out the goal of creating access to 100 million homes with 100mbps/50mbps by 2020 with a milestone, by 2015, 100 million U.S. homes should have affordable access to actual download speeds of 50 mbps and actual upload speeds of 20 mbps. In addition, the Plan sets out a goal that all households should have access to 4mbps/1mbps by the year 2020. Simply stated the Frontier further commitment is inadequate because it fails to address next-generation broadband commitments. It will leave behind far too many households within the to-be-acquired-areas.

It is also troubling that there is nothing in the record to demonstrate that Frontier has the financial or technological capabilities to meet these further commitments. In fact, the record before this Commission and the various state proceedings included testimony on the lower speed commitments made by Frontier and included concerns as to whether Frontier has the financial and technological resources to meet even the lower commitments. Without an evidentiary record to support the new commitments, neither this Commission, nor the households in the areas to be acquired will have any assurance that Frontier will be able to meet these commitments in the coming years should this transaction be approved.

As you know, CWA believes that the proposed merger fails to serve the public interest and should be rejected. If, however, the Commission decides that the transaction should be approved, CWA has urged the Commission to adopt conditions that would at least ameliorate the most serious risks of the transaction. The list of the proposed conditions is attached to this correspondence as Attachment A. CWA includes recommendations on financial, broadband, West Virginia cutover, systems integration and service quality.[1] CWA is prepared to discuss these conditions with your office if you so desire.

The record in this proceeding demonstrates that Frontier has a business model that will not allow the FCC to reach its broadband deployment goals. It is a business model in which Frontier consistently pays out more in dividends than it earns in income and it is a business model that is set to continue if this transaction is approved. Even with the proposed dividend reduction that Frontier claims it will make post-transaction, Frontier will still have the highest dividend pay-out ratio in the industry.

In this regard, CWA has proposed that this Commission condition any approval of this proposed transaction on a requirement that Frontier's payout ratio (as measured by dividend/net income) shall be no higher than 75%. Given Frontier's new additional commitments and the lack of a record regarding the impact of these commitments on Frontier's financial health, the limitation on payouts is even more important. In addition, the dividend restriction is the appropriate way for the FCC to impose a financial disincentive on Frontier to foreclose priority of high dividend payouts over broadband commitments and maintaining service quality.

[1] It is worth noting that Frontier failed to include service quality commitments in its recent filing with this Commission.

Lastly, given the questions that surround Frontier's new commitments we again urge this Commission to hold hearings on this matter in order to protect the public interest and to develop a record on numerous facts in dispute in this matter. I would also note, as an alternative, that the Commission submit for public comment any proposed conditions it is considering placing on the proposed transaction. There is precedent for the Commission to take such an action in matters such as the instant case.

CWA appreciates the Commission's willingness to consider the issues it has raised. If you have any questions or concerns please feel free to contact me.

Sincerely,

Vincent Trivelli

Cc: Edward Lazarus
Jennifer Schneider
Angela Giancarlo
Angela Kronenberg
Christy Shewman
Sharon Gillett
Paul De Sa
Zachary Katz
Donald Stockdale
Nicholas Alexander
Carol Simpson
Alexis Johns

CWA PROPOSED RECOMMENDATIONS – VERIZON/FRONTIER TRANSACTION

CWA believes that the proposed merger fails to meet the requirements of the law and should be rejected. If, however, the Commission approves the transaction, the CWA urges the Commission to adopt conditions that would at least ameliorate some of the most serious risks of the transaction:

FINANCIAL

- **Frontier payout ratio (as measured by dividend/net income) shall be no higher than 75 percent.**

- **Verizon shall retain financial responsibility for a successful transaction and transition.** CWA expert Randy Barber has suggested two alternative approaches to retaining Verizon's involvement:

    a. Require Verizon to provide Frontier with a long-term guarantee on all critical elements of the property it seeks to sell, with meaningful milestones which must be reached prior to allowing Verizon to terminate its guarantees.

    b. Require Verizon and Frontier to form a Joint Venture, with meaningful milestones which the Joint Venture would be required to achieve before Verizon would be permitted to complete its sale (and Frontier allowed to consummate its purchase.)

BROADBAND

- **By 2015, 80 percent of consumers covered by the transaction shall have the ability to receive 50 mbps downstream and 20 mbps upstream.**

- **Within three years of the Transaction Closing date, 100 percent of the lines in the transaction territory should be capable of 4 mbps DSL service, and 85 percent of lines should be capable of 7 mbps DSL service.**

    - Verizon should place funds in an escrow account that will allow 100 percent broadband availability. The funds should only be returned to Verizon upon verifiable attainment of DSL availability milestones in the transaction area. A suggested sequence of annual milestones aimed at guaranteeing broadband availability to100 percent of the transaction territory within three years should be:

        - Within one year of the Transaction Closing Date, 75 percent of the lines in the transaction territory should be capable of carrying DSL service at 4 mbps download speed.
        - Within two years of the Transaction Closing date, 90 percent of the lines in the transaction territory should be capable of 4 mbps DSL service, and 75 percent of lines should be capable of 7 mbps service.

  - It is only after each milestone is achieved that Verizon would have a portion of the Escrow funds returned. If the milestones are not met, the funds would be turned over to Frontier.

- **Verizon should license its FiOS platform for use in all Frontier service areas (just as we believe it has done in Oregon, Washington, Indiana, and South Carolina).**

- **Job commitments as part of the public interest.** Frontier claims unprecedented synergies for a deal of this size – two times bigger than any other. In past merger reviews, the Commission has recognized commitments to maintain or grow jobs as a significant public interest benefit related to service quality and investment. Frontier has made inadequate commitment to maintain or grow jobs. The $500 million in synergies that it projects means job cuts.

WEST VIRGINIA CUTOVER

- Restructure the transaction so Verizon cannot leave until Frontier achieves a full conversion to its own operating systems.

- Require a third-party audit of the cutover *before* it occurs and on-going Commission oversight, and independent testing, of that process.

- Require Frontier to allocate sufficient resources in West Virginia to coincide with the time that cutover occurs so that Frontier is able to handle any possible spikes in customer calls and complaints.

- Require Frontier to provide a report to the Commission outlining its plans, which would be subject to the Commission's review and approval before the cutover could occur.

SYSTEMS INTEGRATION

- Frontier shall submit an integration plan to the Commission at least 180 days before the integration occurs.

SERVICE QUALITY

- Verizon should establish a Service Quality Incentive Escrow Fund that would cover two years' worth of penalties for failure to meet service quality benchmarks in the states.

- The Commission should establish retail Service Quality requirements with penalties for missing the Commission's benchmarks.